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Southern Illinois University at Edwardsville

School of Business
Economics Department

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FEDERAL COMMUNICATIONS COMMISSION
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September 28, 1998

Commissioner William E. Kennard, Chairman
Federal Communications Commission
1919 M Street, N. W.
Washington, DC 20554

CC DOCKET NO. 98-141

Dear Commissioner Kennard:

On February 8, 1998, the Telecommunications Act of 1996 was two years old. I am very concerned that during these two years we have seen few measurable benefits for consumers. Among the shortcomings is the fact that the Bell companies are still not permitted to provide long distance service.

As a former state utility commissioner, I would like to see the States take a role in recommending when a local telephone company has properly met the requirements of the 1996 Act in order to be permitted into the long distance market. While this works in the beginning of the process, when a state's message gets to Washington, D. C., it gets ignored. Enclosed is a recently published op-ed that highlights my concerns.

I recommend that Congress and the FCC work to set a date certain for opening the telecommunications markets to competition, and in the meantime the FCC should rely on state regulators to determine when local markets have been opened to competition. I'm afraid that if we don't move quickly to ensure competition in these markets, consumers will continue to be the losers.

Thank you for your consideration.

Sincerely,

Stanford L. Levin, Ph.D.

Enclosure

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Commentary

A consumerist approach to telecommunications

With the full, enthusiastic approval of state regulators in Louisiana, BellSouth has recently applied for a second time to the Federal Communications Commission to provide long distance telephone service to its customers in Louisiana. As a result, the debate over whether or not the local Bell telephone companies should be able to offer long distance service to their customers is heating up once again, and the interests of telecommunications consumers are once again being ignored.

Louisiana state regulators have determined that telecommunications consumers will benefit, after all, from the additional competition engendered by letting the Bells provide long distance service and from the flexibility and convenience of one-stop shopping. On the other hand, United States federal regulators in the past have apparently been more concerned about whether individual competitors might be financially harmed if the Bells provide long distance service.

Let's hope that the FCC, with four new Commissioners, will break with the precedents of the previous commission and permit more competition in telecommunications. Their only opportunity this year may be in Louisiana. BellSouth's application is likely to be their only

are not yet ready to give their approval to other companies. It is important for the FCC to signal that the roadblock has been taken down and that consumers will be allowed to benefit from lower prices and more choice. The FCC needs to allow the local Bell telephone companies into long distance once they have made realistic commitments to opening their local markets to competition, and the state commissions are the ones who should decide when that has happened.

I wrote on this exact topic in this newspaper in January 1998. At that time I said that we were almost two years into the implementation of the Telecommunications Act of 1996 with no progress. Under the terms of the act, the FCC must approve requests by the local Bell companies to provide long distance service to their customers. The Telecommunications Act ties this approval to the Bells opening their local markets to competition. The debate over whether local markets are open to competition and whether the Bells should be allowed into long distance has long since

tions, often with little basis in fact.

Positions have been repeated so long and so loudly that they are often taken as true, or at least to have some merit, without any careful or fresh analysis. In the midst of this, the FCC has been unable to move forward. Indeed, the FCC itself has been part of the problem by establishing a set of conditions for opening local markets to competition that may be impossible to meet and by raising these standards as the Bells make progress toward meeting them. This has provided no consumer benefits. It is time for the FCC to get realistic and to cease blocking these benefits from reaching local telephone customers before we reach the third anniversary of the act in February of 1999.

Competition benefits consumers. There is one party to this debate that does not have a financial interest in the outcome and that has consumers' interests as its primary objective: the state public service commissions. In the case of BellSouth's application to provide long distance service in Louisiana, the Louisiana Public Service Commis-

sive analysis of the state of local competition in Louisiana. The PSC has weighed the costs and benefits and insured that BellSouth has met the 14-point checklist set out by Congress. They have considered the public interest. The PSC has done this not once, but twice. This considerable expenditure of time and effort has resulted in a careful evaluation and a reasoned endorsement of BellSouth's application to provide long distance service in Louisiana.

The Louisiana PSC, which should be in the best position to make this determination, has found that local telecommunications markets are sufficiently open to competition so that BellSouth should be permitted to offer long distance service in Louisiana. The commission has decided there is a positive balance between the opening of local markets and the consumer benefits from increased long distance competition and one-stop shopping. Rather than trying to make this determination from Washington, the FCC should recognize that the Louisiana PSC understands what is best for Louisiana telephone customers and should give substantial weight to the recommendation of the Louisiana commission. There should be overwhelming evidence to the contrary before the FCC overrules the Louisiana PSC's recommendation.

tial competitors of BellSouth in the long distance market to oppose BellSouth's application, using whatever arguments they can muster. These companies are attempting to use the regulatory process to limit the competition they face, and it is up to regulators to see through such subterfuges. In this case, the Louisiana PSC has. We can only hope that the FCC follows suit.

The telecommunications industry is in the process of reorganizing itself through mergers and re-alignments. These new companies will be full service providers, offering consumers the complete range of telecommunications and computer products that they demand. If the FCC restricts some companies, such as the local Bell companies, from offering this full line of services to their customers, they will be limiting the benefits of competition that consumers may obtain and will be reducing the degree of competition in the industry. None of this benefits consumers.

The FCC should take their lead from the states and give consumers choice.

STANFORD L. LEVIN

(The writer is Professor of Economics at Southern Illinois University Edwardsville and a former Commissioner of the Illinois Commerce Commission, the public util